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WORLD COTTON PROSPECTS

Summary

The present indications are that the world supply of American cotton for the 1934-35 season will be around 20,000,000 bales or slightly less, assuming the crop proves to be no larger than was indicated by conditions on August 1. This would represent a decrease of 4,600,000 bales or 19 percent as compared with last season and 6,000,000 bales or 23 percent below the record supplies of the 1931-32 and the 1932-33 seasons.

While it is too early to say what the supply of foreign cotton will be, the information available at this time indicates that there is not likely to be any decrease. In view of the fact that the carry-over of foreign cotton is larger this year than last and present information indicating an increase in production in some countries it would not be surprising to see an increase in the supply of the foreign grown staple.

The 1934-35 Chinese cotton crop has been preliminarily estimated at 2,900,000 bales which represents an increase of 200,000 bales or 7 percent over last year's crop and 750,000 bales or 35 percent over the average for the 5 years, 1928-29 to 1932-33. The preliminary estimate of the 1934-35 crop in North Brazil indicates a crop in those States of 753,000 bales. This represents an increase of 61 and 89 percent respectively over last season and the 5-year average. The 1934-35 crop in South Brazil will not be planted until September, October, and November, and will not be harvested until toward the end of the season nearly a year from now. The crop in these States, which has just been harvested, however, amounted to 500,000 bales and was the largest on record for those States. The present estimate of the new crop in Manchuria indicates an

increase of about 15 percent over last season on an acreage more than 50 percent larger.

In contrast with these reports of increased production, present information indicates a somewhat smaller crop in Russia this year, and in Mexico the 1934-35 crop has been officially forecast at 12 percent less than last year. The Egyptian Government has recently estimated that the acreage planted to cotton in 1934 in Egypt was slightly less than that of last year. It is significant in this respect that the average yield per acre in Egypt last year was the largest for 30 years. Although plantings in India up to August 1 often fail to indicate what to expect for the entire crop, it is interesting to observe that plantings to that date this year were 7 percent smaller than last year and the smallest to that date since 1924. Little information is available relative to the 1934-35 crop in other countries.

The latest estimates of the 1933-34 production in foreign countries received by this Bureau indicates that the total world production of cotton during the past season probably amounted to 26,100,000 bales of 478 pounds. This revised estimate represents an increase of 600,000 bales over the estimate released several months ago and is 2,400,000 bales larger than the revised estimate of 1932-33, but is 1,400,000 bales less than that of 1931-32. The estimated total production in foreign countries in 1933-34 (the estimated world total less United States production) is 13,053,000 bales compared with 10,698,000 bales in 1932-33 and the previous record high foreign production of 12,423,000 bales in 1928-29. The principal increases in the 1933-34 crop as compared with 1932-33 occurred in Egypt, Brazil, and China where the increase amounted to 791,000, 521,000, and 465,000 bales respectively. A substantial part of the increase in Egypt was no doubt due to the removal of the acreage restriction law, which was

an important factor accounting for the 1932-33 Egyptian acreage being the smallest for more than a quarter of a century and in part to the highest yield per acre since 1903-04. Unusually low coffee prices and very favorable weather conditions are said to have accounted for a considerable part of the increase in Brazil.

The domestic cotton textile situation became somewhat brighter during the second and third weeks of August when sales of cotton goods increased substantially, a part of which increase was due to government purchases for relief purposes. Stocks in many lines of goods continue large, however, and unfilled orders small. On the whole the textile situation in Europe continued unfavorable with manufacturers' sales of goods in many countries still running less than the restricted output. In Germany where mill activity was restricted, beginning August 1, to 70 percent of the average rate of the first quarter of 1934 there has recently been a fairly active demand for cotton yarn and cloth. In the Orient sales of cotton goods by Japanese manufacturers in early August have been reported as possibly less than output. However, their stocks and orders on hand are such that they are still running at about record levels.

Prices

In early July the price of Middling 7/8 inch cotton in the 10 designated markets averaged around 12 cents per pound as was true during most of June. Immediately following the official estimate of the acreage in cultivation in the United States, which was about 1,000,000 bales less than trade estimates, cotton prices advanced rather sharply. By the middle of July the 10-markets average had advanced to 13 cents. From that date until the official crop report was released on August 8, the price in these markets ranged between 12½ and 13 cents. On August 9 the average of the 10 markets reached a new high for more than 4 years of 13.63 cents. From that date to this time (August 29) there was some reaction, with prices gradually working back down around 13 cents.

Around the middle of August the premiums of cotton longer than 7/8 inch were not greatly different from those existing a month earlier.

On July 17 the average premium of Middling 15/16 inch over Middling 7/8 inch in six markets was 20 points and that for 1 inch, 63 points. At Memphis the premiums for Middling 1-1/16 inches was 100 points, 1-1/8 inches 160, and 1-3/16 inches 285 points, on Middling 7/8 inch. These are about the same as those existing in August last year.

Stocks and Movements

Carry-over of American cotton

According to a preliminary release by the Bureau of the Census on August 16, the total stocks of American cotton in the United States on August 1 this year amounted to 7,649,000 bales, a decrease of 432,000 bales or 5 percent compared with a year earlier, and 1,931,000 bales or 31 percent as compared with the stocks on hand in the United States on August 1, 1932. With the exception of these 2 years, however, stocks this year were the largest on record.

As yet this Bureau's estimate of the world carry-over of American cotton is not available and will not be until the report of the International Federation of Master Cotton Spinners' and Manufacturers' Associations is released on stocks held by mills throughout the world. This report should be released in September. The preliminary estimate of the world carry-over of American cotton of the New York Cotton Exchange Service is 10,836,000 bales. This compares with their estimate of August 1, 1933, of 11,754,000 bales. This represents a decrease of 918,000 bales or 8 percent. During the past few years this Bureau's estimate of the world carry-over of American cotton has been 100,000 to 200,000 bales less than the estimate of the New York Cotton Exchange Service.

World supplies of American cotton

With the present estimate of the 1934-35 crop placed at about 9,200,000 bales, the present indications are that the world supply of American cotton for this season will be around 20,000,000 bales. In 1933-34 the world supply of American cotton was 24,600,000 bales and in each of the 2 preceding seasons the total supply was 26,000,000 bales. The average supply available for the 10-year period ended 1930-31 was about 18,500,000 bales. The indications are now, therefore, that this season's supply of American cotton will probably be around 19 percent less than last season and 23 percent less than in the 2 preceding seasons.

Exports of American cotton

During July, exports of cotton from the United States to all countries totaled 306,000 running bales, which was less than half as large as the unusually heavy exports in July 1933, when 692,000 bales were exported. China and Canada were the only 2 countries which took anything like as large a quantity during July this year as a year ago. Most foreign countries took only a small fraction of the amount taken during July 1933. However, it should be borne in mind that exports during July last year were considerably larger than in that month of any other year in the history of our exports. When compared with average exports during July for the 5 years ended 1932, exports this year showed an increase of 5 percent

For the season 1933-34 total exports of American cotton amounted to 7,534,000 bales compared with 8,419,000 bales in 1932-33, and an average for the 5 years, 1928-29 to 1932-33 of 7,726,000 bales. Japan took 1,846,000 bales during 1933-34 compared with 1,743,000 bales in the previous season, whereas exports to Germany declined to 1,318,000 bales during the past season as compared with 1,849,000 the previous season. Japan, therefore, again took larger quantities of American cotton than did Germany, due in part to the German Government restrictions of imports of raw materials because of its monetary situation. For several years prior to 1931-32 Germany usually imported more American cotton than any other foreign country, although a considerable amount of this cotton was re-exported to other European countries where it was consumed.

Exports of Indian and Egyptian cotton

From August 1, 1933 to July 26, 1934, India exported 2,404,000 running bales of approximately 400 pounds each. This represented an increase of 247,000 bales or about 12 percent as compared with the corresponding period and in the 1932-33 season an increase of 943,000 bales or 65 percent compared with the unusually small exports of 1931-32. Japan and China combined (as reported by the Commercial and Financial Chronicle) took 1,058,000 bales of Indian cotton up to July 26 in the 1933-34 season, which was slightly less than the 1,198,000 bales reported to these countries from India in the like period of 1932-33, but 18 percent larger than in the corresponding part of 1931-32. Exports to the Continent totaled 987,000 bales in 1933-34, compared with 767,000 and 438,000 bales respectively in 1932-33 and 1931-32. Exports to Great Britain to July 26, last season amounted to 359,000 bales, an increase of 87 percent over the same period in 1932-33, and were nearly three times as large as in 1931-32.

Exports of Egyptian cotton in 1933-34 up to July 25 to all countries totaled 1,201,000 running bales of approximately 750 pounds each. This represented an increase of 43 percent over 1932-33 and 20 percent over 1931-32. Exports from Egypt in 1933-34 were the largest for any season in the history of Egyptian exports. This is accounted for by the fact that the 1933-34 Egyptian crop was the largest on record, and the fact that during this period the Egyptian Government was encouraging the sale and export of Egyptian cotton whereas in some of the earlier years when the Egyptian crop was large the Government was buying and holding cotton off the market.

Textile Situation

United States

Domestic cotton consumption during July amounted to only 359,000 running bales as compared with 363,000 bales in June and 600,000 bales in July last year. This was the smallest consumption for any month since July 1932 when only 279,000 bales were used by United States manufacturers. With the exception of the unusually low level of activity maintained during the last quarter of the 1931-32 season the present level of operation is the lowest since the end of 1920. This low level of consumption is about in line with what was expected when it was announced that under

the NRA Cotton Textile Code the maximum number of hours cotton textile machinery would be permitted to operate during June, July, and August would be 60 hours per week. However, the indications are that a material reduction in activity would have occurred even if no forced restriction had been incurred, for sales and shipments of cotton goods have apparently been very small during recent months. In fact it was the low level of sales and the large stocks on hand which caused the Code Authority to recommend that activity be reduced.

Trade reports indicate that sales during June and July were probably less than the restricted production, causing further accumulations of unsold stocks of goods held by manufacturers. Apparently the stocks of unsold goods at the end of July were unusually large. Sales of cotton goods increased following the crop report and the accompanying sharp advance in cotton prices, and in many sections of the industry were apparently above production. The actual and proposed purchases of cotton goods by the Government for the needy was probably a factor in the improved cotton textile market.

Total cotton consumption in the United States during the 1933-34 cotton season amounted to 5,701,000 running bales, according to data from the Bureau of the Census. This represented a decrease of 437,000 bales or 7 percent from that of the 1932-33 season, but was 17 percent larger than consumption in 1931-32 and 8 percent larger than in 1930-31.

With the increased volume of wholesale cotton cloth sales during the second and third weeks of August prices of cotton cloth increased so that for the week ended August 18, the margin between raw cotton and cotton cloth was the highest for many weeks.

Great Britain

During July and the first half of August sales of cotton textiles by British manufacturers continued to run below the somewhat reduced output. With the resulting accumulation of stocks, manufacturers reduced production, and around the middle of August activity has been estimated by the New York Cotton Exchange Service at between 60 and 65 percent of normal. This compares with activity a month earlier of 65 to 70 percent of normal and with activity during the latter part of June between 70 and 75 percent. During the second week in August sales of cotton goods by English spinners and weavers probably improved slightly, but were reported as somewhat less than production.

During July exports of cotton goods from Great Britain increased to 170,100,000 square yards as compared with 140,800,000 square yards during June, and 154,700,000 square yards during July 1933. With the exception of exports during last January, the export movement of cloth during July was about as high as during any month of the 1933-34 cotton season. With the exception of July last year, however, the exports were the smallest for any July since some time prior to 1900. Total exports of cotton piece goods from Great Britain for the season ended July 31 amounted to 1,933,900,000 square yards, which represented a decrease of 7 percent as compared with the preceding season and the exports were also lower than for the 1931-32 season, when 2,037,500,000 square yards were exported. With the exception of 1930-31, when Great Britain

exported only 1,746,600,000 square yards, exports for the season just ended were the smallest for which we have records, the records in this office being available back to 1878. The continued increases during recent years in the trade barriers between countries, the low level of business conditions, and the increased competition of Japanese goods in the import markets throughout the world largely explain the low level of the British cotton goods exports.

Continental Europe 1/

The cotton industry on the Continent during July was characterized by further restrictions in mill activity, with additional curtailment planned for the near future. Organized curtailment of mill operations is now in effect in Italy and parts of France. Belgium is also planning organized restriction, and a German decree effective August 1, 1934, will reduce activity in that country 30 percent below the levels of the first quarter of 1934 and by a greater amount compared with the second quarter of 1934.

New business in cotton spinning and weaving mills was quiet during July. Western Europe and Italy report an unsatisfactory quantity of new orders, but in central Europe business was reported to be fair and in some parts active. Activity of spinning and weaving mills in western Europe and Italy declined during July. However, occupation was about unchanged in central Europe where the expected curtailment of activity resulting from the German restrictions will first become noticeable in August.

Despite the rising prices of raw cotton, spinner and merchant buying during July in Germany and other central European countries was limited. In western Europe, the unfavorable developments in mill activity also appeared to have held back purchases during July, even though the trade is said to have believed that raw cotton prices would continue to rise due to the short crop in the United States.

Germany

Sales of cotton spinners and cotton weavers during July were of fair volume, but were already influenced by the expectation of a curtailment of mill operations through governmental decree. Activity apparently continued at rather high levels throughout July, but has been very materially reduced during August due to the governmental order.

The detailed cotton-spinner report for June indicated good occupation of mills and active calling on old contracts. While 2-cylinder spinning mills reported an increase in sales, the mills spinning finer yarns indicated a reduced business. The report confirmed the opinion expressed in our last report that the difficulties encountered by spinners, in covering themselves in the raw market, hampered their sales considerably. This fact continued to be important throughout July as the buying restrictions still existed. The report of weaving mills for June like-

1/ Based largely on a report by Donald F. Christy, Assistant Agricultural Attache at Berlin, Germany, dated August 8.

wise indicated maintenance of the previous high levels of mill activity as well as an active current demand - partly of an abnormal character. Mills weaving raw fabrics are reported to be sold out almost to the end of the year, but the situation in other branches of the industry is not uniform. Foreign competition on the domestic market was lessened because of the foreign exchange restrictions which hamper imports. Exports by cotton weavers likewise declined.

On July 19, the Minister for Economic Affairs issued an ordinance regulating and reducing working time in various textile branches, including the cotton weaving mills. With minor exceptions, the ordinance prescribes that regular working time for workers employed on the principal operating machinery must be reduced by 30 percent as compared with the daily average for the first 6 months of 1934, but the new working time need not be reduced below 36 hours a week. If, however, a factory had an average working week of less than 36 hours during the first half of 1934, this average must not be exceeded. Supplemental provisions prohibit various branches of the textile industry, including cotton spinning and weaving mills, from establishing new factories or expanding already existing plants. "Unjustified price increases" are also prohibited. This latter measure resembles the order issued toward the end of March 1934, and prohibits increases in prices of textile raw materials, and manufactured products made therefrom, beyond the limit justified by the increase in world raw material prices since March 21, 1934. Price increases are also permitted in the case of an increase in other costs, except where such increases are due to a decline in turnover not resulting from the present ordinance.

Separate regulations for the cotton spinning mills were issued on July 26, by the cotton supervisory office under approval of the Minister for Economic Affairs. This ordinance provided that beginning with August 1, 1934, mill consumption of raw cotton and of cotton linters will be permitted only to the extent determined by the supervisory office. Until cancelled, the mill consumption of cotton and cotton linters respectively is set at not more than 70 percent of the average mill consumption during the first quarter of 1934. The regulation is valid for raw cotton and for linters separately and these products may not be substituted one for the other, at least within the allotted contingents. The contingent for raw cotton, theoretically, is also given for American, Egyptian, Indian and "other" cotton separately, but, actually, the mills are free to interchange these various types of cotton provided only that in such substitution 100 bales of American cotton are considered to equal 67 bales of Egyptian, 125 bales of Indian, or 22 metric tons of "other" (exotic) cotton.

It is easy to see that these restrictions imposed upon the German cotton industry will reduce mill operations considerably, and, incidentally, raw material requirements. It is almost certain that raw cotton consumption in August and probably later will be from 30 to 40 percent below mill consumption in the second quarter of 1934 because mill consumption during the first quarter of 1934, which is made the basis of the 30 percent restriction, was not as high as was consumption in the second quarter.

Czechoslovakia and Austria

The latest report of the Czechoslovakian National Bank at Prague indicates that the cotton industry maintained its recent improvement,

though considerable difficulty was experienced with exports. Other information from Eastern Bohemia indicates that mill operations there recently have shown a downward tendency.

In an ordinance of the Ministry of Commerce, dated July 9, 1934, exports of important textile raw materials and semi-manufactures were subjected to license control beginning with July 11, 1934. Among the goods affected are raw cotton, raw wool, wool top, cotton and wool waste, and cotton and wool yarns. It is reported that the ordinance is due to the desire of the Czechoslovakian authorities to prevent any further exports of cotton and wool waste to Germany - a movement which had become very pronounced. These exports were due to the German currency regulations which apparently permitted the importation of such products from Czechoslovakia, while importation from other sources - and especially imports of actual raw cotton and wool - were made difficult. The Czechoslovakian authorities apparently wish to avoid exporting, against marks or Czechoslovakian crowns, goods for which unrestricted currencies have been paid. The license control of exports in the case of yarns is interpreted to be only formal in character.

In Austria, a fair amount of business was recorded during July, but the industry remained hampered by the low level of domestic buying power. According to the latest trade report of the "International Federation", Austrian cotton spinning mills during the second quarter of 1934 were operating at about 82 percent of single-shift capacity and weaving mills at about 75 percent. Cotton spinning mills profited considerably during the first half of 1934 from the general revival of Austrian exports. Cotton yarn exports during the first half of 1934 are estimated to have been at least 25 percent above the first half of 1933.

France

Unsatisfactory conditions continued to prevail in the French cotton spinning and weaving industry during July. Business in yarns and fabrics, though reviving for short intervals mostly as a result of stimulating developments in raw cotton prices, remained generally depressed and further restrictions in mill activity took place. Following the cartel agreements in Eastern France, which imply an organized restriction of mill operations, other French textile sections, notably the North and Normandy, have seriously considered the possibility of joining in an all-French cartel. It was reported by early August that restricting agreements had already been concluded between a number of mills. Trade reports state that activity during recent weeks has been reduced. It is not unlikely that further curtailment of activity may occur. However, it is felt that these restrictions will be loosened if a reasonable reduction in the industry's stocks can be attained.

Belgium

A rather recent report from Belgium indicates that the situation in the cotton textile industry there has not improved. Industrialists are said to be convinced that some sort of organized restriction of the output is necessary in order to reorganize the market and reduce accumulated stocks. Many spinners are said to have already indicated their willingness to join in such a spinner cartel.

Netherlands

According to a mid-July newspaper report, the situation of the Dutch cotton textile industry had become worse just prior to that time. The production capacity of the industry as compared with the domestic market requirements in the Dutch industry is said to be so large that despite the curtailment of production the continued export difficulties leaves the industry still in a congested condition. The over-valued Dutch currency is an important deterrent to the export of cotton fabrics from the Netherlands, as foreign competition--especially from Japan-- is severe.

Italy

The situation in the Italian cotton industry is reported to have undergone further unfavorable developments during July. The July bulletin of the Ministry for Corporations indicates that unemployment increased in cotton spinning and weaving mills and the activity of cotton spinning mills is reported to have fallen below last year. Up until recently activity during the past 12 months has been definitely and steadily above the levels of the corresponding months in the previous year.

As certain difficulties exist in the procurements of foreign exchange for imports, attempts are being made to substitute artificial fibres for raw cotton. It is reported that the Snia Viscosa of Torino recently brought on the market an artificial silk staple fibre called Snia Fiocco which, it is expected by those producing it, will take the place of raw cotton in the manufacturing of various important textile articles.

Roumania

Since the end of the World War, Roumania has developed a domestic cotton weaving industry which is already an important factor in satisfying that country's domestic requirements of cotton cloth. According to recent newspaper reports, the country is now about to turn to the development of another stage in the cotton industry, namely the cotton spinning branch. It is reliably reported that one of the largest Italian cotton mill concerns has made an offer to the Roumanians, whereby the former would assume the task of establishing modern cotton spinning mills in Roumania. The Italian textile machinery industry is reported to have expressed their willingness to cooperate in the plan. The spindles to be erected would cover about 80 percent of Roumanian cotton yarn requirements. The Italians are proposing that Roumania obtain the remaining 20 percent (mainly special yarns) from Italy.

It is also reported that the growing of raw cotton in Roumania--which in the past has taken place in an experimental way--has recently received increased attention from Roumanian authorities, and newspaper reports express the hope that progress will be made in supplying raw cotton from domestic origin in the next several years.

Russia

Production of the cotton textile industry continues about on previous levels. The output of cotton fabrics in June is reported to have amounted to 209,662,000 meters (229,286,000 yards) or 94.6 percent of the monthly plan, and that of cotton yarn to 29,047 tons (64,370,000 pounds) or 96 percent of the plan. This was an increase as compared with the 201,000,000 meters (219,814,000 yards) which the Russian press reported for May, but was less than the 223,000,000 meters (243,900,000 yards) produced in April.

Japan

Cotton mill consumption in Japan during July continued at high levels with the total production of cotton yarn reported at 282,000 bales of approximately 400 pounds. This is compared with production of 286,000 bales in June, which was the largest in the history of the Japanese industry. In July 1933 yarn production totaled 249,000 bales, which was the largest for the month of July on record up to that time. For the 12 months ended July 1934, total yarn production in Japan amounted to 3,285,000 bales, which was 12 percent larger than in the 1932-33 season and 19 percent larger than in 1931-32. The 1933-34 season makes the third consecutive season in which total yarn production exceeded that of any other year in the history of the Japanese cotton textile industry. The record level of mill activity in Japan during the last 3 years despite the low level of general business conditions throughout the world has been accomplished by a marked depreciation of Japanese currency and special efforts both by the Government and by exporters to develop new foreign markets. As a result of these developments exports of cotton goods from Japan for the 11 months ended June 1934 totaled 2,153,000,000 square yards compared with 2,057,000,000 during the corresponding period in 1932-33 and 1,390,000 in the like period of 1931-32. Ten years ago Japan probably exported less than 1,000,000 square yards of cloth per season, whereas during the entire 1933-34 season exports will probably be around 2,400,000,000 square yards. Japan's marked expansion in exports of cotton goods has been to a considerable degree at the expense of Great Britain. During the season just ended Great Britain exported less than 2,000,000,000 square yards of cloth, whereas during the middle 20's her average exports per season were more than 4,000,000,000 square yards.

During June exports of piece goods from Japan totaled 222,500,000 square yards. This represented a substantial decline from the record exports of 266,000,000 square yards during May, but was 24 percent larger than in any other June on record. During recent months exports to the Dutch East Indies have constituted the most important portion of the total exports. It is expected that exports to the Dutch East Indies may be restricted somewhat by the Trade Conference between the Netherlands and Japan. As yet, however, no announcement of the decision of this conference has been received.

Japanese cloth merchants are said to expect that piece goods exports will average around 200,000,000 square yards per month. This would represent a still further increase over the record average for the past season. This accounts for the fact that the Japanese are adding new spindles at a rather rapid rate and the restrictions on spindles already in place have been reduced recently and a further reduction planned, effective October 1.

Imports of raw cotton into Japan during June were the highest on record with Indian constituting about 60 percent or an abnormal portion of the total. Total imports of all cotton during June amounted to 413,000 bales of about 500 pounds, imports of Indian totaled 247,000 bales, and American, 123,000. During June last year total imports amounted to 192,000 bales, and in June 1923, the previous peak, imports totaled 317,000 bales.

China

During the 6 months ended June, total consumption of all cotton in Japan is reported by the Chinese Millowners' Association at 1,193,000 bales of approximately 500 pounds. This was practically the same as the 1,190,000 bales consumed during the last half of 1933, but was less than consumption in either of the 2 previous half-year periods. Consumption for the 12 months ended June totaled 2,383,000 bales as compared with 2,601,000 bales in 1932-33, and which was a decrease of 8 percent, but was larger than consumption during any other season in history.

Consumption of American cotton during the past 6-month period was reported at 176,000 bales compared with 241,000 bales the previous half year, 291,000 bales in the like period of 1933, and 451,000 bales in the corresponding period of 1932. For the 12 months total consumption of American cotton in China amounted to 417,000 bales, a decline of 44 percent compared with 1932-33, and 53 percent compared with 1931-32, but was considerably larger than any other year. Consumption of Indian and Egyptian cotton in China during the last 12 months showed little change as compared with a year earlier, but the consumption of Chinese cotton increased slightly, making the second consecutive year in which consumption of Chinese cotton in China was larger than any other previous year.

Yarn prices in China increased slightly during July, due perhaps in part to difficulties in certain large mills, but were later depressed by a move toward government assistance and lowering of the tariff on yarn. Yarn stocks in China during the early part of August were reported as still heavy. It has been reported that in early July some of the Japanese owned cotton mills in China started manufacturing 60 count yarn for shipment to India, and that later 2 Chinese owned mills also began this practice. Exports of piece goods from China during the first half of 1934 were only a little over one-third as large as during the like period in 1933 in terms of value. Imports of cotton piece goods were also low compared with a year earlier, with piece goods imports from January to June reported at 8,900,000 gold units compared with 23,500,000 in the same period in 1933.

India

During June cotton mills in India consumed 185,000 running bales of Indian cotton. This was 12,000 bales larger than in May, 3,000 bales less than in June 1933, but slightly larger than in June 1932. Consumption during June was the fourth smallest monthly consumption for 2 years. However, monthly cotton consumption in India from 1929 to date, with few exceptions, has been unusually high. Most other countries during this period were experiencing very marked reductions in mill activity.

For the 11 months ended June, total consumption of Indian cotton in India amounted to 2,082,000 bales compared with 2,176,000 bales in the like period last season. The indications are that consumption in India for the entire 1933-34 season was slightly smaller than in either of the 2 previous seasons or the 1929-30 season, but probably larger than any season prior to 1929-30.

Acreage, Production, and Crop Conditions

World production

On the basis of the latest estimates of cotton production in foreign countries during the 1933-34 season received by the Bureau of Agricultural Economics and the final ginnings returns of the domestic crop the estimated world production of all kinds of cotton for the 1933-34 season has been revised and is now placed at 26,100,000 bales of 478 pounds. This is an estimate of the total production of cotton, both that which moves into commercial channels and that which is consumed on the farms and in the homes where produced. The revised estimates represents an increase of 600,000 bales over the estimate released by the Bureau several months ago based on early returns from foreign countries. The increase over the early estimate is largely explained by the latest estimate of the Chinese Cotton Statistics Association which placed the Chinese crop at 200,000 bales larger than the estimate previously used by the Bureau, and to the very marked increase in production in South Brazil. In late July the Brazilian Government released an estimate which placed the 1933-34 crop in the Southern States at 500,000 bales compared with 222,000 bales the previous season. The present estimate of world production, which is still subject to revision, is 2,400,000 bales larger than the present estimate of the 1932-33 world figure of 23,700,000 bales (revised from 23,600,000 bales) but is 1,400,000 bales less than the estimated total for the 1931-32 season and 2,300,000 bales less than the record crop of 1926-27.

After deducting the domestic production from the estimated total it leaves an estimated production in foreign countries of 13,053,000 bales, compared with 10,698,000 in 1932-33, 10,405,000 bales in 1931-32, and the previous peak of 12,423,000 bales in 1928-29.

As may be seen from the accompanying table most of the increase in foreign production in 1933-34 occurred in Egypt, Brazil, and China, although there was some increase in India, Russia, and in miscellaneous countries. A substantial part of the increase in the 1933-34 crop in Egypt is accounted for by the removal of the acreage restriction law, which explains in part why the 1932-33 acreage in Egypt was the lowest since 1896-97. Part of the increase is also explained by the fact that yields were the highest since 1903-04. The increase in Brazil is explained in part by unusually low coffee prices and in part to favorable weather conditions.

United States

The condition of the 1934 United States cotton crop as of August 1, as reported to the Department of Agriculture, indicated a crop of only 9,195,000 bales of 478 pounds net or 500 pounds gross. The production as forecast is 3,852,000 bales less than last year's crop and 5,480,000 bales less than the average for the 5-year period 1928 to 1932. The indicated 1934 crop is the smallest since 1896 with the exception of 1921 when the domestic production was less than 8,000,000 bales.

The acreage figure used in the forecast of the 1934 crop was 27,371,000 acres which represented the estimated acreage in cultivation on July 1 less the 10-year average abandonment. This is 8.7 percent less than the area harvested in 1933, and 32.5 percent less than the 1928-1932 average acreage harvested. The indicated yield per acre is 160.9 pounds, which is 47.6 pounds or 23 percent less than the yield of 1933 and about 9 pounds below the 10-year average, 1923 to 1932.

Cotton: Estimated production in specified localities, 1929-30 to 1933-34

Country	1929-30	1930-31	1931-32	1932-33	1933-34
	1,000 bales 478 lbs. net	1,000 bales 478 lbs. net	1,000 bales 478 lbs. net	1,000 bales 478 lbs. net	1,000 bales 478 lbs. net
United States	14,825	13,932	17,095	13,002	13,047
India	4,387	4,373	3,368	3,896	4,159
China	2,116	2,250	1,785	2,261	2,726
Egypt	1,768	1,715	1,323	1,028	1,819
Russia	1,279	1,589	1,843	1,778	1,889
Brazil	584	471	557	448	969
Miscellaneous countries (partly estimated	1,541	1,470	1,529	1,287	1,491
Est. total, foreign	11,675	11,868	10,405	10,698	13,053
Est. world total	26,500	25,800	27,500	23,700	26,100

Division of Statistical and Historical Research. From official sources, International Institute of Agriculture, and estimates of the Bureau of Agricultural Economics.

The indicated yields are particularly low in Texas and Oklahoma, and in western Arkansas and parts of Louisiana, due to severe drought conditions. In Oklahoma the indicated yield per acre of only 95 pounds is 54 percent less than that of 1933, 36 percent less than the 10-year average and the smallest with the exception of 1918 since prior to 1894. The indicated yield per acre in Texas is the second smallest since 1866, is 42 percent less than last year, and 22 percent less than the 10-year average. The States east of the Mississippi River were expected on the basis of August 1 conditions to have yields above average.

In the comments accompanying the August report, the Crop Reporting Board stated that should the drought continue in Texas, Oklahoma, and western Arkansas further declines in the prospects would occur in these regions. According to the Weather Bureau's report for the week ended August 22 the drought continued in these regions so that in many sections shedding, top fruiting, wilting, and premature opening of balls were prevalent. In many sections growth had ceased and in some places the plants were said to be dying. In some sections east of the Mississippi River weather conditions were favorable during the first 3 weeks of August but in places rain and cool weather have been favorable to the weevil.

India

The area planted in India up to August 1 has been officially estimated at 12,385,000 acres, according to a cable received from the International Institute of Agriculture at Rome on August 20. The estimated acreage planted up to that date represents a decrease of about 7 percent as compared with plantings to the same date last year, and represents the smallest plantings to that date since 1924. Unfortunately, it is impossible to tell from the plantings up to this time what to expect in the way of total plantings for the season. During the past 10 years plantings up to August 1, have averaged about 60 percent of the total planting for the season, but during certain years plantings up to the first of August are materially influenced by weather conditions so that at times the early plantings have indicated a decrease in acreage when the final planting report showed an increase.

Russia

Prospects for the new cotton crop in Soviet Russia are rather unfavorable, according to the report of August 8 prepared by Assistant Agricultural Commissioner Donald F. Christy. The cold and rainy spring in Middle Asia hampered the growth of the plants. Despite the resulting necessity for careful cultivation and irrigation, complaints of slipshod methods continue so that there is considerable reason to believe that yields will be disappointing. Reports indicate that first and second cultivation was long drawn out and that little more than half of the cotton area was worked up for the third time in Usbekistan and Turkmenia by July 20, although the third cultivation ought to have been completed by August 5. As a result, weeds have become a menace, according to reports. Irrigation is also said to be slow, with the pace reported below that of last year. The above developments are attributed to the poor organization of labor in the cotton growing regions. At the same time, in view of the delayed growth, a share of the cotton crop may not mature if autumn frosts are early this year.

The situation is still less favorable in the so-called "new cotton regions", where the stand is said to be thin. This is attributed by local organs to drought, but other reports indicate that bad farming practices are the real cause. Thus, for example, it is stated that only 26 percent of the total cotton acreage in the new regions has received the necessary three cultivations in proper time. The dates for completing these cultivations are respectively June 1, June 15, and July 1. Conditions in Crimea are very unsatisfactory, and that region does not expect to harvest more than 220 pounds of unginned cotton per hectare (equivalent to around 30 pounds of lint per acre) this year, which is a very low yield even for a new region.

The acreage planted in Russia has not been actually reported, but reports indicate that the plan for the 1934 crop was fully executed. This would mean that at least 4,843,000 acres were planted which was 5 percent less than the plan for 1933, and 4 percent less than the 5,066,000 acres reported to have been planted in 1933. The planned production in 1934 is 13.4 percent less than the plan for 1933 and about 9 percent less than the reported production. It may be, therefore, that despite the unfavorable prospects, the 1934 Russian crop may equal the plan, although we are not now in a position to say. The plan calls for deliveries of 1,164,700 metric tons of unginned cotton, which is equivalent to 1,665,000 bales to 1,770,000 bales of 478 pounds of ginned cotton depending upon the ratio of lint to seed.

China

The 1934-35 Chinese cotton crop has been estimated by the Chinese Cotton Statistics Association at 2,928,000 bales, according to a cable received from Agricultural Commissioner Dawson at Shanghai on August 21. This represents an increase of 7 percent over the final estimate of 2,726,000 bales for the 1933-34 crop. The acreage this year was estimated at 6,747,000 acres or an increase of 10 percent over the 6,142,000 acres reported for last year. On the basis of the estimated acreage and production the indicated yield in China this year is 207.5 pounds per acre, compared with 212.2 pounds last year.

According to a cable from Mr. Dawson on August 13, the condition of the cotton crop in the producing area of North China, especially in the Provinces of Hopeh and Shantung are reported as materially better than last year. In the lower Yangtze Valley of East Central China, however, the drought is reported to have damaged the late crop, and parts of the early crop were said to be in need of rain.

Egypt

Contrary to the expectations of the members of the cotton trade in Egypt, the official estimate of the 1934-35 Egyptian cotton acreage was slightly less than the estimate of the acreage for the previous year. Official estimates placed the area this year at 1,798,000 acres, this compared with 1,873,000 acres in 1933-34, 1,135,000 acres in 1932, and the peak of 2,162,000 acres in 1930.

In view of the fact that the reported yield in Egypt last year was 5 percent larger than in any year since 1903, it would seem that the chances are that the present crop in Egypt will be smaller than that of 1933-34. However, in view of the shifts toward shorter staple higher yielding varieties average yields may tend to run higher in the future than in the last 25 years or so, when a substantial part of the acreage was planted to long-staple rather low yielding varieties. The first official estimate of the Egyptian crop will not be released until the first Monday in October.

Brazil

The Brazilian Government is now estimating that the production of cotton in the Northern States for the 1934-35 cotton season will be around 753,000 bales of 478 pounds, according to a cable received from P. K. Norris, representative of this Bureau now making a special study of cotton production in Brazil. This represents an increase of 61 over the estimated production in these States in 1933-34 of 468,000 bales and is 88 percent larger than the average during the 5 years ended 1932-33 which amounted to about 400,000 bales. The crop in the Northern States is planted between January and June and harvested between August and January. The present estimate, therefore, is a preliminary estimate, and according to Mr. Norris the members of the cotton trade in Brazil feel that the Government estimate is too high. The second estimate of production in the Northern States is expected to be released around the end of November.

At the time the first estimate of the 1934-35 production in the Northern States was released, the Brazilian Government also released the second estimate of what this Bureau calls the 1933-34 crop in the States of South Brazil. The cotton crop in these States is planted in September, October, and November, and harvested in the following May to July. The second estimate of the crop which has just been harvested in the Southern States placed the crop in those States at 501,000 bales, an increase of 125 percent over the year before and represented an even larger increase compared with average. This combined with the estimated production in the 1933-34 season in the Northern States of 468,000 bales gives a total production in Brazil for the 1933-34 season of 969,000 bales. This represents an increase of 116 percent over the small crop of 448,000 bales produced in the 1932-33 cotton season, and an increase of 86 percent as compared with the average for the 5 years ended 1932-33. It is 22 percent larger than the previous record crop of 793,000 bales produced in 1924-25.

The first estimate of the 1934-35 cotton crop in the Southern States will not be available for several months, but should the crop be as large as that which has just been harvested, the total crop will exceed 1,000,000 bales, assuming the present estimate for the Northern States is approximately correct.

According to Mr. Norris the increase in the 1933-34 crop in South Brazil was due in part to the fact that cotton prices were high relative to coffee prices, the principal competing crop. A part of the increase in the Northern States has been attributed to the fact that in some of the large cotton growing states free seed was distributed to cotton farmers, and also to the fact that weather conditions at planting time, as well as throughout the growing season, were unusually favorable. As yet we have not received the official estimates of acreage in Brazil.

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Mexico

According to the official forecast by the Mexican Government which has just been received, the 1934-35 cotton crop in Mexico is expected to total 200,000 bales. This would compare with a preliminary estimate of production in 1933-34 of 228,000 bales, and an average for the 5 years, 1928-29 to 1932-33 of 203,000 bales. The estimated acreage was placed at 402,000 acres, a decrease of 5 percent compared with the 424,000 bales planted in 1933 and compares with an average of 379,000 acres for the 5 years ended 1932-33.

Some of the preliminary reports received earlier indicated that acreage in Mexico was being increased this season, and according to the official estimate, the acreage in a number of the cotton producing states did increase. The principal decrease in acreage occurred in the States of Coahuila and Durango. In these 2 States combined the acreage dropped 18 percent this year as compared with last, while in all other states combined there was an increase of 13 percent.

The indicated yield per acre for the 1933-34 Mexican crop is 238 pounds compared with 257 pounds in 1933-34, and an average for the last 5 years of 258 pounds. In the States of Coahuila and Durango, two of the important producing States in Mexico, the indicated yield per acre is 311 and 310 pounds, respectively. This compares with an average for the 5 years ended 1932-33 of 304 pounds and 272 pounds, respectively.

Manchuria

According to a cable received from Agricultural Commissioner O. L. Dawson in Shanghai on August 13, the area in cotton in Manchuria this year is placed at about 198,000 acres compared with 131,000 acres in 1933-34, or an increase of 51 percent. However, owing to excessive rainfall in June and unfavorable conditions in July, Mr. Dawson reports that the crop is expected to be only about 15 percent larger than that of last year. According to an earlier report from Mr. Dawson the 1933-34 crop amounted to from 40,000 to 50,000 bales.

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